

CITY OF TOLEDO

**Independent Auditors' Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings
June 30, 2013**

CITY OF TOLEDO

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CITY OF TOLEDO

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dave Svoboda	Mayor	Jan 2014
Brian Sokol	Mayor Pro-Tem	Jan 2014
Elmer (Skip) Wilson	Council Member	Jan 2014
Travis Mullen	Council Member	Jan 2014
Terry Goodhart	Council Member	Jan 2016
Jeff Filloon	Council Member	Jan 2016
Julie Wilkerson	Clerk/Treasurer	Indefinite
Nancy Burk	Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Toledo's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 24 through 26 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 20, 2013 on our consideration of the City of Toledo's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Toledo's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 20, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Toledo provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 116.2%, or approximately \$2,487,000, from fiscal year 2012 to fiscal year 2013. Property tax receipts increased approximately \$89,000 while revenue and general obligation note proceeds increased approximately \$2,630,000.
- Disbursements of the City's governmental activities increased 72.0%, or approximately \$1,765,000, in fiscal year 2013 from fiscal year 2012. Debt service disbursements increased approximately \$2,121,000.
- The City's total cash basis net position increased 17.7%, or approximately \$341,000, from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased approximately \$448,000 while the cash basis net position of the business type activities decreased approximately \$107,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, nonmajor enterprise funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally

accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- **Governmental Activities** include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** include the waterworks, sanitary sewer system, solid waste, community center and child care facility. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1.) **Governmental funds** account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, and 4.) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2.) **Proprietary funds** account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water and Sewer Funds and for the operation of the City's child care facility. These funds are considered to be the major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from \$272,724 to 721,244. The analysis that follows focuses on the changes in cash basis net position for governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year Ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service	\$ 287,031	274,752
Operating grants, contributions and restricted interest	284,773	296,229
Capital grants, contributions and restricted interest	-	281,489
General receipts:		
Property tax	1,083,336	994,742
Other city tax	111,163	111,889
Local option sales tax	190,562	100,333
Unrestricted interest on investments	301	260
Revenue note proceeds	1,085,000	-
General obligation note proceeds	1,545,000	-
Miscellaneous	41,242	81,409
Total receipts	<u>4,628,408</u>	<u>2,141,103</u>
Disbursements:		
Public safety	570,451	775,382
Public works	310,209	275,551
Health and social services	1,050	-
Culture and recreation	297,632	322,408
Community and economic development	3,512	10,394
General government	145,139	241,831
Debt service	2,589,405	468,667
Capital projects	300,000	358,033
Total disbursements	<u>4,217,398</u>	<u>2,452,266</u>
Change in cash basis net position before transfers	411,010	(311,163)
Transfers, net	<u>37,510</u>	<u>239,168</u>
Change in cash basis net position	448,520	(71,995)
Cash basis net position beginning of year	<u>272,724</u>	<u>344,719</u>
Cash basis net position end of year	<u>\$ 721,244</u>	<u>272,724</u>

The City's total receipts for governmental activities increased by 116.2%, or \$2,487,305. The total cost of all governmental programs and services increased by \$1,765,132, or 72.0%, with no new programs added during the year.

The significant increase in receipts was primarily due to the refinancing of the City's two aquatic center general obligation bonds, the general obligation sewer bond, and the sewer revenue bond. The significant increase in disbursements was primarily due to the refinancing of the four different bonds noted above.

The cost of all governmental activities this year was \$4,217,398 compared to \$2,452,266 last year. However, as shown on the Statement of Activities and Net Assets on pages 10-11, the amount taxpayers ultimately financed for these activities was only \$3,645,594 because some of the cost was paid by those who directly benefited from the programs (\$287,031) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$284,773). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in fiscal year 2013 by over \$2,487,000 due to bond proceeds received for the refinancing of four different bonds. The City paid the remaining "public benefit" portion of governmental activities (\$3,645,594) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service		
Water	\$ 358,971	303,582
Sewer	504,863	501,568
Solid waste	32,956	36,799
Reinig estate	43,976	28,160
Child care facility	28,406	27,906
Operating grants, contributions and restricted interest	2,005	3,332
Revenue note proceeds	-	45,887
Miscellaneous	37,015	37,006
Total receipts	<u>1,008,192</u>	<u>984,240</u>
Disbursements:		
Water	572,693	287,505
Sewer	374,281	302,124
Solid waste	37,456	41,285
Reinig center	65,083	63,236
Child care facility	28,212	20,880
Total disbursements	<u>1,077,725</u>	<u>715,030</u>
Change in cash basis net position before transfers	(69,533)	269,210
Transfers, net	<u>(37,510)</u>	<u>(239,168)</u>
Change in cash basis net position	(107,043)	30,042
Cash basis net position beginning of year	<u>1,652,628</u>	<u>1,622,586</u>
Cash basis net position end of year	<u>\$ 1,545,585</u>	<u>1,652,628</u>

Total business type activities receipts for the fiscal year were \$1,008,192 compared to \$984,240 last year. The slight increase was primarily due to more charges for water services as a result of a rate increase effective in July of the current fiscal year as well as an increase in charges for services related to the Reinig Center operations. Total disbursements for business type activities for the fiscal year were \$1,077,725 which was an increase of \$362,695 from the prior year. This increase was primarily due the early payoff of the water revenue bond. The cash balance for business type activities decreased \$107,043 from the prior fiscal year primarily due to the increase in expenses related to the payoff of the water revenue bond.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Toledo completed the year, its governmental funds reported a combined fund balance of \$721,244, an increase of \$448,520 from last year's total of \$272,724. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance increased by \$258,309. This is due mainly to a decrease in operating disbursements during the current year and an increase in transfers in from other funds compared to the prior year.
- The Special Revenue, Employee Benefits Fund cash balance for fiscal year 2013 was \$25,793, an increase of \$25,631 from 2012. The main reason for the increase is from the increase in the property tax levy compared to the prior year resulting in more receipts.
- The Special Revenue, Road Use Tax Fund cash balance increased by \$57,004 during the fiscal year. The fund's cash balance increased due to fewer operating disbursements in the current year.
- The Debt Service Fund cash balance increased by \$79,805 from the prior year. This is primarily due to the transfer in of Special Revenue, Local Option Sales Tax funds for debt relief.
- The Capital Projects Fund cash balance remained unchanged from the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Utility Fund cash balance decreased by \$203,250 to \$388,164. The decrease was primarily due to the early payoff of the water revenue bond outstanding balance.
- The Enterprise, Sewer Utility Fund cash balance increased by \$88,944 to \$1,121,887 primarily due to no funds being transferred out this year for debt relief.
- The Enterprise, Child Care Facility Fund cash balance remained virtually unchanged from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on January 7, 2013, and included an increase of \$32,303 to revenues and an increase of \$250,084 to expenses. The amendment was primarily to account for additional funding related to the farm lease and to provide for additional expenditures for the early payoff of the water revenue bond and the City's portion of the new highway project as determined by the Iowa Department of Transportation. Even with the budget amendment, disbursements exceeded the amounts budgeted in the debt service and business type activity functions.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$3,978,667 in bonds and other long-term debt outstanding, compared to \$4,121,505 last year as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation bonds	\$ 2,185,000	2,255,000
General obligation note	340,000	150,000
Revenue bond	1,085,000	1,342,291
Revenue notes	368,667	374,214
Total	<u>\$ 3,978,667</u>	<u>4,121,505</u>

Debt decreased primarily as a result of the early payoff of the water revenue bond in the amount of \$229,251.

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,525,000 is below its constitutional debt limit of \$4,763,756.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Toledo's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities.

During next fiscal year 2013-2014, the City plans to undertake the construction of a new water treatment plant. The City will also be focusing on monitoring fund balances and repaying their outstanding debt balances, most of which arose from the two capital projects recently completed. There is no increase in the property tax levy for next year; however, property tax receipts are budgeted to slightly increase due to increased valuations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

Julie Wilkerson
PO Box 234
Toledo, Iowa 52342

Basic Financial Statements

CITY OF TOLEDO
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 570,451	235,147	33,225	-
Public works	310,209	-	224,188	-
Health and social services	1,050	-	-	-
Culture and recreation	297,632	4,214	18,605	-
Community and economic development	3,512	-	-	-
General government	145,139	47,670	8,755	-
Debt service	2,589,405	-	-	-
Capital projects	300,000	-	-	-
Total governmental activities	<u>4,217,398</u>	<u>287,031</u>	<u>284,773</u>	<u>-</u>
Business type activities:				
Water	572,693	358,971	1,086	-
Sewer	374,281	504,863	872	-
Solid waste	37,456	32,956	-	-
Reinig center	65,083	43,976	-	-
Child care facility	28,212	28,406	47	-
Total business type activities	<u>1,077,725</u>	<u>969,172</u>	<u>2,005</u>	<u>-</u>
Total	<u><u>\$ 5,295,123</u></u>	<u><u>1,256,203</u></u>	<u><u>286,778</u></u>	<u><u>-</u></u>
General Receipts and Transfers:				
Property tax levied for:				
General purposes				
Employee benefits				
Debt service				
Other city tax				
Local option sales tax				
Unrestricted interest on investments				
General obligation bond proceeds				
Revenue note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Debt service				
Streets				
Property tax relief				
Other purposes				
Unrestricted				
Total cash basis net position				

Net (Disbursements) Receipts
and Changes in Cash Basis Net Position

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
(302,079)	-	(302,079)
(86,021)	-	(86,021)
(1,050)	-	(1,050)
(274,813)	-	(274,813)
(3,512)	-	(3,512)
(88,714)	-	(88,714)
(2,589,405)	-	(2,589,405)
(300,000)	-	(300,000)
<u>(3,645,594)</u>	<u>-</u>	<u>(3,645,594)</u>
-	(212,636)	(212,636)
-	131,454	131,454
-	(4,500)	(4,500)
-	(21,107)	(21,107)
-	241	241
<u>-</u>	<u>(106,548)</u>	<u>(106,548)</u>
<u>(3,645,594)</u>	<u>(106,548)</u>	<u>(3,752,142)</u>
576,175	-	576,175
294,546	-	294,546
212,615	-	212,615
111,163	-	111,163
190,562	-	190,562
301	-	301
1,545,000	-	1,545,000
1,085,000	-	1,085,000
41,242	37,015	78,257
37,510	(37,510)	-
<u>4,094,114</u>	<u>(495)</u>	<u>4,093,619</u>
448,520	(107,043)	341,477
272,724	1,652,628	1,925,352
<u>\$ 721,244</u>	<u>1,545,585</u>	<u>2,266,829</u>
\$ 83,351	193,710	277,061
59,475	-	59,475
65,202	-	65,202
43,795	-	43,795
469,421	1,351,875	1,821,296
<u>\$ 721,244</u>	<u>1,545,585</u>	<u>2,266,829</u>

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2013

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Debt Service
Receipts:				
Property tax	\$ 560,152	-	294,546	212,615
Other city tax	88,637	-	12,691	9,140
Licenses and permits	2,658	-	-	-
Use of money and property	22,032	-	773	-
Intergovernmental	50,925	224,188	-	-
Charges for service	247,106	-	-	-
Miscellaneous	40,051	-	-	5,432
Total receipts	1,011,561	224,188	308,010	227,187
Disbursements:				
Operating:				
Public safety	444,188	-	124,542	-
Public works	86,476	167,184	56,549	-
Health and social services	1,050	-	-	-
Culture and recreation	215,526	-	73,621	-
Community and economic development	3,512	-	-	-
General government	117,472	-	27,667	-
Debt service	-	-	-	2,589,405
Capital projects	-	-	-	-
Total disbursements	868,224	167,184	282,379	2,589,405
Excess (deficiency) of receipts over (under) disbursements	143,337	57,004	25,631	(2,362,218)
Other financing sources (uses):				
Sale of capital assets	13,462	-	-	-
Loan proceeds	-	-	-	2,330,000
Operating transfers in	106,510	-	-	112,023
Operating transfers out	(5,000)	-	-	-
Total other financing sources (uses)	114,972	-	-	2,442,023
Net change in cash balances	258,309	57,004	25,631	79,805
Cash balances beginning of year	201,611	2,471	162	3,546
Cash balances end of year	\$ 459,920	59,475	25,793	83,351
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	59,475	-	-
Debt service	-	-	-	83,351
Property tax relief	-	-	-	-
Other purposes	-	-	25,793	-
Assigned for:				
Ambulance equipment	109,034	-	-	-
Fire equipment	48,078	-	-	-
Other purposes	64,622	-	-	-
Unassigned	238,186	-	-	-
Total cash basis fund balances	\$ 459,920	59,475	25,793	83,351

Capital Projects	Other Nonmajor Governmental Funds	Total
-	16,023	1,083,336
-	191,257	301,725
-	-	2,658
-	368	23,173
-	3,284	278,397
-	3,068	250,174
-	-	45,483
-	214,000	1,984,946

-	1,721	570,451
-	-	310,209
-	-	1,050
-	8,485	297,632
-	-	3,512
-	-	145,139
-	-	2,589,405
300,000	-	300,000
300,000	10,206	4,217,398

(300,000)	203,794	(2,232,452)
-----------	---------	-------------

-	-	13,462
300,000	-	2,630,000
-	-	218,533
-	(176,023)	(181,023)
300,000	(176,023)	2,680,972

-	27,771	448,520
-	64,934	272,724
-	92,705	721,244

-	-	59,475
-	-	83,351
-	65,202	65,202
-	18,002	43,795
-	-	109,034
-	-	48,078
-	9,501	74,123
-	-	238,186
-	92,705	721,244

CITY OF TOLEDO
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

	Enterprise Funds		
	Water Utility	Sewer Utility	Child Care Facility
Operating receipts:			
Charges for services	\$ 358,971	504,863	28,406
Miscellaneous	9,386	-	-
Total operating receipts	368,357	504,863	28,406
Operating disbursements:			
Business type activities	331,514	291,923	7,332
Excess (deficiency) of operating receipts over (under) operating disbursements	36,843	212,940	21,074
Non-operating receipts (disbursements):			
Interest on investments	1,086	872	47
Rent	-	-	-
Debt service	(241,179)	(82,108)	(20,880)
Capital projects	-	(250)	-
Total non-operating receipts (disbursements)	(240,093)	(81,486)	(20,833)
Excess (deficiency) of receipts over (under) disbursements	(203,250)	131,454	241
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	(42,510)	-
Total other financing sources (uses)	-	(42,510)	-
Net change in cash balances	(203,250)	88,944	241
Cash balances beginning of year	591,414	1,032,943	30,381
Cash balances end of year	\$ 388,164	1,121,887	30,622
Cash Basis Fund Balances			
Restricted for debt service	\$ -	172,830	20,880
Unrestricted	388,164	949,057	9,742
Total cash basis fund balances	\$ 388,164	1,121,887	30,622

Nonmajor	Total
76,932	969,172
9,550	18,936
86,482	988,108
102,539	733,308
(16,057)	254,800
-	2,005
18,079	18,079
-	(344,167)
-	(250)
18,079	(324,333)
2,022	(69,533)
5,000	5,000
-	(42,510)
5,000	(37,510)
7,022	(107,043)
(2,110)	1,652,628
4,912	1,545,585
-	193,710
4,912	1,351,875
4,912	1,545,585

CITY OF TOLEDO

Notes to Financial Statements

June 30, 2013

Note 1 – Summary of Significant Accounting Policies

The City of Toledo is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Toledo has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Joint E-911 Service Board, Tama County Solid Waste Disposal Commission, Region Six Planning Commission and Tama County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require them to be maintained permanently by the City.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Expendable restricted net position results when constraints placed on use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds and enterprise funds are aggregated and reported as nonmajor governmental and nonmajor enterprise funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue Funds:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Employee Benefits Fund is used to account for property taxes to be used to pay employee taxes and benefits.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Project Fund is used to account for all the resources used for general capital projects.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

The, Enterprise Water Utility Fund accounts for the operation and maintenance of the City's water system.

The, Enterprise Sewer Utility Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The, Enterprise Child Care Facility Fund accounts for the collection of fees from the daycare to fund repayment of the building loan.

C. Measurement Focus and Basis of Accounting

The City of Toledo maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present the financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Governmental Cash Basis Fund Balances (Continued)

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 – Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2013

Note 3 – Pension and Retirement Benefits (Continued)

Most regular plan members are required to contribute 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$51,151, \$49,425, and \$46,048, respectively, equal to the required contributions for each year.

Note 4 – Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2013, was \$25,040, primarily relating to the General Fund. This liability has been computed based on the rates of pay in effect at June 30, 2013.

Note 5 – Risk Management

The City of Toledo is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 6 – Other Postemployment Benefits

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 13 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark Blue Cross and Blue Shield of Iowa. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$555 for single coverage and \$1,684 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$203,775 and plan members eligible for benefits did not contribute to the plan.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2013

Note 7 – Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes, water and sewer revenue bonds and notes, and a child care center note are as follows:

Year Ending June 30	General Obligation Bonds		General Obligation Notes	
	Principal	Interest	Principal	Interest
2014	\$ 160,000	88,057	110,000	8,045
2015	150,000	41,162	110,000	5,200
2016	150,000	38,162	60,000	2,100
2017	155,000	35,162	60,000	1,050
2018-2022	820,000	128,836	-	-
2023-2027	580,000	61,062	-	-
2028-2032	170,000	13,126	-	-
2033-2037	-	-	-	-
2038-2042	-	-	-	-
2043-2046	-	-	-	-
Total	\$ 2,185,000	405,567	340,000	16,395

Year Ending June 30	Sewer Revenue Bond		Child Care Center Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 55,000	28,912	5,484	15,403	330,484	140,417
2015	55,000	27,296	5,715	15,172	320,715	88,830
2016	55,000	25,838	5,955	14,932	270,955	81,032
2017	60,000	24,380	6,205	14,682	281,205	75,274
2018-2022	310,000	97,918	35,166	69,277	1,165,166	296,031
2023-2027	340,000	55,254	43,207	61,248	963,207	177,564
2028-2032	210,000	11,132	53,084	51,381	433,084	75,639
2033-2037	-	-	65,221	39,260	65,221	39,260
2038-2042	-	-	80,132	24,368	80,132	24,368
2043-2046	-	-	68,498	6,509	68,498	6,509
Total	\$ 1,085,000	270,730	368,667	312,232	3,978,667	1,004,924

The resolutions providing for the issuance of the revenue bonds and notes include the following provisions:

- a) The bonds and notes will only be redeemed from the future earnings of the enterprise activity and the bond and note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate Sewer and Child Care Center revenue sinking accounts within the Enterprise Funds for the purpose of making the principal and interest payments when due.
- c) Additional monthly transfers of \$218 to a Child Care Center reserve account within the Enterprise Fund shall be made until \$26,100 has been accumulated. This account is restricted for the purpose of transferring and crediting to the sinking account whenever necessary to prevent or remedy a default in the payment of the principal or interest on the notes.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2013

Note 7 – Bonds and Notes Payable (Continued)

- a) Additional monthly transfers of \$368 to a Child Care Center depreciation account within the Enterprise Fund shall be made. This account is restricted for the purpose of paying for any repairs, replacements and improvements to the Child Care Center.
- b) All funds remaining in the Child Care Center account after the payment of all maintenance and operating expenses and required transfers shall be placed in a surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the building or for note and interest payments which the other accounts might be unable to make.

As of June 30, 2013, the City has established the depository accounts required by the bond resolution for the sewer revenue and daycare facility bonds.

Note 8 – Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer To</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 54,000
	Emergency	10,000
	Enterprise:	
	Sewer	42,510
		<u>106,510</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	<u>112,023</u>
Enterprise:		
Solid Waste	General	<u>5,000</u>
Total		\$ <u>223,533</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

CITY OF TOLEDO
Notes to Financial Statements (Continued)
June 30, 2013

Note 9 – Commitments

The City has entered into an agreement with the Iowa Department of Transportation to pay for the City's portion of the relocation of water and sewer mains associated with the new Highway 30 project. The payments will be spread over three years, and the amount remaining to pay the Iowa DOT at June 30, 2013 was \$222,693.

The City has also started the initial phases of an improvement project to the water treatment plant. They have entered into a contract in the amount of \$219,000 with an engineering firm for professional services related to this project. At June 30, 2013, there was still \$210,240 remaining to be paid on the contract.

Note 10 – Related Party Transactions

The City had business transactions between the City and City officials totaling \$7,298 during the year ended June 30, 2013.

Note 11 – Subsequent Events

The City has evaluated all subsequent events through September 20, 2013, the date the financial statements were available to be issued.

Other Information

CITY OF TOLEDO
Budgetary Comparison Schedule of Receipts, Disbursements,
and Changes in Balances-Budget and Actual (Cash Basis)
All Governmental Funds and Proprietary Funds
Other Information
June 30, 2013

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 1,083,336	-
Other city taxes	301,725	-
Licenses and permits	2,658	-
Use of money and property	23,173	20,084
Intergovernmental	278,397	-
Charges for service	250,174	969,172
Miscellaneous	45,483	18,936
Total receipts	<u>1,984,946</u>	<u>1,008,192</u>
Disbursements:		
Public safety	570,451	-
Public works	310,209	-
Health and social services	1,050	-
Culture and recreation	297,632	-
Community and economic development	3,512	-
General government	145,139	-
Debt service	2,589,405	-
Capital projects	300,000	-
Business type activities	-	1,077,725
Total disbursements	<u>4,217,398</u>	<u>1,077,725</u>
Excess (deficiency) of receipts over (under) disbursements	(2,232,452)	(69,533)
Other financing sources (uses), net	<u>2,680,972</u>	<u>(37,510)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	448,520	(107,043)
Balances beginning of year	<u>272,724</u>	<u>1,652,628</u>
Balances end of year	<u>\$ 721,244</u>	<u>1,545,585</u>

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,083,336	1,080,360	1,080,360	2,976
301,725	236,474	236,474	65,251
2,658	29,400	29,400	(26,742)
43,257	6,600	7,300	35,957
278,397	256,000	256,000	22,397
1,219,346	1,342,045	1,373,148	(153,802)
64,419	61,700	62,200	2,219
2,993,138	3,012,579	3,044,882	(51,744)
570,451	564,190	599,581	29,130
310,209	333,868	412,682	102,473
1,050	7,000	7,000	5,950
297,632	307,002	317,697	20,065
3,512	18,000	21,600	18,088
145,139	230,862	148,615	3,476
2,589,405	331,248	331,248	(2,258,157)
300,000	300,000	300,000	-
1,077,725	867,634	1,071,465	(6,260)
5,295,123	2,959,804	3,209,888	(2,085,235)
(2,301,985)	52,775	(165,006)	(2,136,979)
2,643,462	300,000	300,000	2,343,462
341,477	352,775	134,994	206,483
1,925,352	1,682,666	1,925,352	-
2,266,829	2,035,441	2,060,346	206,483

CITY OF TOLEDO
Notes to Other Information – Budgetary Reporting
June 30, 2013

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment reclassified budgeted funds and increased total budgeted disbursements by \$250,084. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the debt service and business type activities functions.

Supplementary Information

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2013

	Special Revenue			
	Local Option Sales Tax	Library Gift Trust	Emergency	Police Federal Forfeiture
Receipts:				
Property tax	-	-	16,023	-
Other city tax	\$ 190,562	-	695	-
Use of money and property	327	41	-	-
Intergovernmental	-	3,284	-	-
Charges for services	-	763	-	2,305
Total receipts	190,889	4,088	16,718	2,305
Disbursements:				
Operating:				
Public safety	-	-	-	1,721
Culture and recreation	(344)	8,829	-	-
Total disbursements	(344)	8,829	-	1,721
Excess (deficiency) of receipts over (under) disbursements	191,233	(4,741)	16,718	584
Other financing uses:				
Operating transfers out	(166,023)	-	(10,000)	-
Total other financing uses	(166,023)	-	(10,000)	-
Net change in cash balances	25,210	(4,741)	6,718	584
Cash balances at beginning of year	39,992	14,242	-	5,124
Cash balances at end of year	\$ 65,202	9,501	6,718	5,708
Cash Basis Fund Balances				
Restricted for:				
Property tax relief	\$ 65,202	-	-	-
Other purposes	-	-	6,718	5,708
Assigned for other purposes	-	9,501	-	-
Total cash basis fund balances	\$ 65,202	9,501	6,718	5,708

<u>Capital Projects</u>	
<u>Recreation Trail</u>	<u>Total</u>
-	16,023
-	191,257
-	368
-	3,284
-	3,068
-	214,000
-	1,721
-	8,485
-	10,206
-	203,794
-	(176,023)
-	(176,023)
-	27,771
5,576	64,934
5,576	92,705
-	65,202
5,576	18,002
-	9,501
5,576	92,705

CITY OF TOLEDO
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Enterprise Funds
As of and for the year ended June 30, 2013

	Solid Waste	Reinig Center	Total
Operating receipts:			
Charges for services	\$ 32,956	43,976	76,932
Miscellaneous	-	9,550	9,550
Total operating receipts	<u>32,956</u>	<u>53,526</u>	<u>86,482</u>
Operating disbursements:			
Business type activities	<u>37,456</u>	<u>65,083</u>	<u>102,539</u>
Deficiency of operating receipts under operating disbursements	(4,500)	(11,557)	(16,057)
Non-operating receipts:			
Rent	-	18,079	18,079
Total non-operating receipts	<u>-</u>	<u>18,079</u>	<u>18,079</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,500)</u>	<u>6,522</u>	<u>2,022</u>
Other financing sources:			
Operating transfers in	5,000	-	5,000
Total other financing sources	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Net change in cash balances	500	6,522	7,022
Cash balances beginning of year	<u>134</u>	<u>(2,244)</u>	<u>(2,110)</u>
Cash balances end of year	<u>\$ 634</u>	<u>4,278</u>	<u>4,912</u>
Cash Basis Fund Balances			
Unrestricted	\$ 634	4,278	4,912
Total cash basis fund balances	<u>\$ 634</u>	<u>4,278</u>	<u>4,912</u>

CITY OF TOLEDO
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Aquatic center	Aug 1, 2004	2.25-5.25 %	\$ 1,705,000
SRF Sewer	Oct. 21, 2009	3.00	1,358,000
SRF Sewer	Jun 1, 2013	1.50-2.625	1,202,000
Total			<u>\$ 4,265,000</u>
General obligation notes:			
Fire truck	Nov. 20, 2012	1.75 %	\$ 300,000
Library	Jan 26, 2005	2.05-4.10	400,000
Total			<u>\$ 700,000</u>
Revenue bonds:			
State revolving fund sewer loan	Oct. 21, 2009	3.25 %	\$ 1,359,000
State revolving fund sewer loan	Jun 1, 2013	2.65	1,085,000
Water	Feb 14, 1983	5.00	587,800
			<u>\$ 3,031,800</u>
Revenue note:			
Child care facility	Apr 30, 2007	4.125 %	\$ 400,000
Total			<u>\$ 400,000</u>

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
1,005,000	43,000	65,000	983,000	46,023	-
1,250,000	-	1,250,000	-	37,500	-
-	1,202,000	-	1,202,000	-	-
2,255,000	1,245,000	1,315,000	2,185,000	83,523	-
-	300,000	60,000	240,000	2,533	-
150,000	-	50,000	100,000	5,925	-
150,000	300,000	110,000	340,000	8,458	-
1,111,000	-	1,111,000	-	33,330	-
-	1,085,000	-	1,085,000	-	-
229,251	-	229,251	-	11,478	-
1,340,251	1,085,000	1,340,251	1,085,000	44,808	-
374,214	-	5,547	368,667	15,333	-

CITY OF TOLEDO
Bond and Note Maturities
June 30, 2013

<u>Year</u> <u>Ending</u> <u>June 30,</u>	General Obligation Bonds				General Obligation Notes	
	Aquatic Center		SRF Sewer		Library	
	Issued June 1, 2013		Issued Oct. 21, 2009		Issued Jan. 26, 2005	
	Interest		Interest		Interest	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	2.00 %	\$ 83,000	2.00 %	\$ 77,000	3.95 %	\$ 50,000
2015	2.00	85,000	2.00	65,000	4.10	50,000
2016	2.00	85,000	2.00	65,000		-
2017	2.00	85,000	2.00	70,000		-
2018	2.00	85,000	2.00	75,000		-
2019	2.00	85,000	2.00	75,000		-
2020	2.00	90,000	2.00	75,000		-
2021	1.50	90,000	1.50	75,000		-
2022	1.63	95,000	1.63	75,000		-
2023	2.00	100,000	2.00	75,000		-
2024	2.00	100,000	2.00	75,000		-
2025		-	2.40	75,000		-
2026		-	2.40	75,000		-
2027		-	2.63	80,000		-
2028		-	2.63	85,000		-
2029		-	2.63	85,000		-
Total		\$ 983,000		\$ 1,202,000		\$ 100,000

Year Ending June 30,	Revenue Bond		Revenue Note		Total
	State Revolving Sewer Loan		Child Care Center		
	Issued June 1, 2013		Issued June 1, 2013		
	Interest		Interest		
	Rate	Amount	Rate	Amount	
2014	2.65 %	\$ 55,000	4.13 %	\$ 5,708	60,708
2015	2.65	55,000	4.13	5,948	60,948
2016	2.65	55,000	4.13	6,197	61,197
2017	2.65	60,000	4.13	6,458	66,458
2018	2.65	60,000	4.13	6,730	66,730
2019	2.65	60,000	4.13	7,012	67,012
2020	2.65	60,000	4.13	7,316	67,316
2021 - 2046	2.65	680,000	4.13	323,298	1,003,298
Total		\$ 1,085,000		\$ 368,667	1,453,667

Fire Truck		
Issued Nov. 20, 2012		
Interest		
Rate	Amount	Total
1.75 %	\$ 60,000	270,000
1.75	60,000	260,000
1.75	60,000	210,000
1.75	60,000	215,000
	-	160,000
	-	160,000
	-	165,000
	-	165,000
	-	170,000
	-	175,000
	-	175,000
	-	75,000
	-	75,000
	-	80,000
	-	85,000
	-	85,000
	<u>\$ 240,000</u>	<u>2,525,000</u>

CITY OF TOLEDO
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Ten Years

	2013	2012	2011	2010
Receipts:				
Property tax	\$ 1,083,336	994,743	830,125	795,846
Tax increment financing revenues	-	-	-	4
Other city tax	301,725	212,222	262,585	260,161
Licenses and permits	2,658	1,832	1,779	8,720
Use of money and property	23,173	7,679	10,877	11,372
Intergovernmental	278,397	576,210	1,046,767	322,416
Charges for services	250,174	261,235	268,413	259,659
Special assessments	-	433	1,781	4,333
Miscellaneous	45,483	86,749	30,395	57,532
Total	\$ 1,984,946	2,141,103	2,452,722	1,720,043
Disbursements:				
Operating:				
Public safety	\$ 570,451	775,382	591,036	535,157
Public works	310,209	275,551	1,118,827	415,945
Health and social services	1,050	-	-	-
Culture and recreation	297,632	322,408	316,721	282,916
Community and economic development	3,512	10,394	9,880	17,116
General government	145,139	241,831	269,665	273,114
Debt service	2,589,405	468,667	370,785	301,009
Capital projects	300,000	358,033	45,409	14,081
Total	\$ 4,217,398	2,452,266	2,722,323	1,839,338

2009	2008	2007	2006	2005	2004
1,019,718	846,398	929,723	655,072	795,644	768,290
58,110	113,070	241,150	181,716	114,003	64,186
281,512	277,758	240,350	187,403	211,542	175,149
6,780	3,125	8,608	3,896	27,301	227,244
18,529	24,971	31,516	25,450	31,953	22,974
323,665	336,680	1,073,176	675,868	219,645	24,402
275,803	283,499	259,096	211,365	39,348	47,774
5,431	2,169	16,350	9,255	19,618	14,032
25,888	41,230	98,423	170,651	1,164,122	955,589
<u>2,015,436</u>	<u>1,928,900</u>	<u>2,898,392</u>	<u>2,120,676</u>	<u>2,623,176</u>	<u>2,299,640</u>
555,569	582,666	608,738	500,940	456,775	370,519
243,301	673,534	227,432	253,431	296,595	277,218
-	-	-	-	-	-
276,533	261,814	241,929	257,869	243,387	306,754
18,607	18,607	23,349	39,770	181,362	204,155
256,755	250,725	269,839	341,222	317,135	268,226
422,854	363,650	1,090,034	461,614	359,262	287,311
85,193	99,371	1,003,493	1,048,057	2,548,724	962,651
<u>1,858,812</u>	<u>2,250,367</u>	<u>3,464,814</u>	<u>2,902,903</u>	<u>4,403,240</u>	<u>2,676,834</u>



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Toledo, Iowa, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 20, 2013. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Toledo's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Toledo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Toledo's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Toledo's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings as item II-A-13 to be a material weakness.

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Toledo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Toledo's Responses to Findings

The City of Toledo's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Toledo's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Toledo during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 20, 2013

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2013

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-13 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Disbursements - check writing, signing, and reconciling.
- (3) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – We will continue to monitor other ways to improve segregation of duties.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2013

Part III: Other Findings Related to Required Statutory Reporting:

III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013, exceeded the amounts budgeted in the debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – This will be monitored more closely in the future and amendments will be done as necessary.

Conclusion – Response accepted.

III-B-13 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-13 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Tom Wilkerson, spouse of City Clerk, Owner of Wilkerson Hardware	Materials and supplies	\$ 7,298

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions appear to represent a conflict of interest since the total was greater than \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The transactions between the City and Wilkerson, dba Wilkerson Hardware, spouse of the current city clerk, Julie Wilkerson, are for purchases of supplies and products as needed. These are not purchased on a ‘bid’ basis as Wilkerson Hardware is the only local source for many items purchased and there is no contract, implied or written, with Wilkerson Hardware. Wilkerson Hardware does participate as a bidder when an item is determined appropriate for bid. The purchase of miscellaneous supplies from Wilkerson Hardware will probably continue as long as it is the only supplier in the community given the City council’s commitment to keep business for the City as local as possible.

Conclusion – Response accepted.

CITY OF TOLEDO
Schedule of Findings
Year Ended June 30, 2013

Part III: Other Findings Related to Required Statutory Reporting (continued):

- III-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-F-13 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-13 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-13 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

CITY OF TOLEDO
Audit Staff

This audit was performed by:
Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158

Personnel:
Elizabeth Miller, C.P.A., Partner
Nathan Minkel, C.P.A., Partner
Diana Swanson, Staff